Supreme Court, U.S.
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No. 85-1780

IN THE
SUPREME COURT
OF THE UNITED STATES
October Term, 1985

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,
Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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Question Presented

In patent litigation in which the following facts are found by the trial court or are not here in dispute:

1. The patentee owns Federally registered trademarks;
2. The Federally registered trademarks have become generic;
3. The patentee neither knew nor should have known that its trademarks had become generic;
4. Prior to the holding at trial that the patentee's trademarks had become generic, the patentee issued patent licenses which included a provision that the patent licensee acknowledged the validity of the trademarks and that the patent licensee would not use the trademarks;
5. There was no evidence of coercion by the patentee in obtaining the licensee's agreement to the trademark provision; and,
6. There was no evidence that the trademark provision in the patent licenses was ever enforced;

WHETHER the mere inclusion in a patent license of an acknowledgment of trademark validity and a prohibition against use of the licensor's registered trademarks constitutes patent misuse.

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Parties

The Respondent is Windsurfing International, Inc., which has no parent or subsidiary companies or any affiliated company.

STATEMENT OF THE CASE

This case arises from the trial in the Southern District of New York of three consolidated actions relating, *inter alia*, to the validity, infringement and enforceability of the Windsurfing patent on sailboards and the validity of certain of Windsurfing's trademarks.

After trial, the trial court found:

1. Windsurfing (Respondent) owns certain Federal trademark registrations (SA, 78a)[1];
2. The registered trademarks have become generic (SA, 94a);
3. Windsurfing (and its owners) neither knew nor should have known that the registered trademarks had become generic (SA, 77a);
4. Prior to the decision of the trial court, Windsurfing had granted patent licenses under the patent in suit which included a trademark provision in which the licensee acknowledged the validity of the trademarks and agreed not to use them (SA, 73a-74a); and,

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[1] Reference will be made herein to the Appendix and page number (e.g., A, 5a) and to the Supplemental Appendix (e.g., SA, 5a).

5. The evidence did not show that Windsurfing had sought to enforce the trademark provision of its patent licenses. (SA, 77a).

In addition, there was no evidence before the trial court that Windsurfing had in any way coerced its patent licensees to accept or agree to the trademark provision.

The trial court held that Windsurfing had, on these facts, "misused its patent to a limited extent." (SA, 96a).

On appeal, the Court of Appeals for the Federal Circuit reversed and held (A, 15a):

> "On the present record, the district court was improperly persuaded to rest its holding of misuse entirely on an after-the-fact determination that the marks are generic. Because that was error, the holding that the facts of record established a misuse of the patent right must be reversed."

REASONS FOR DENYING THE WRIT

A. Summary of Argument

Petitioners base their reasons for allowance of the writ not upon the *holding* of the Court of Appeals below but upon the *discussion* by the Court of the Appeals of the misuse issue there on appeal.

The *holding* of the Court of Appeals — that the mere inclusion, in a patent license, of an acknowledgment of trademark validity and an agreement not to use the trademark, is not patent misuse — follows the holdings of the four courts that had previously considered the same issue.

Thus, contrary to Petitioners' argument here, the Court of Appeals decision below does not constitute a "new

policy" in the law, but rather, simply a following of the established law.

B. Prior Decisions Are Consistent With The Holding Of The Court Of Appeals Below

There are four reported cases dealing with allegations of improper tying of patent and trademark licenses: *Deering, Milliken & Co., Inc. v. Temp-Resisto Corporation*, 160 F.Supp. 463 (S.D.N.Y. 1958), aff'd 274 F.2d 626 (2nd Cir. 1960) and rev'd on other grounds; *Kolene Corporation v. Motor City Metal Treating, Inc.*, 307 F.Supp. 1251 (E.D.Mi. 1969), aff'd 440 F.2d 77 (6th Cir. 1971); *Jack Winter, Inc. v. Koratron Company, Inc.*, 375 F.Supp. 1 (N.D.Cal. 1974); and, *Switzer Brothers, Inc. v. Locklin*, 297 F.2d 39 (7th Cir. 1961) *cert. denied*, 369 U.S. 851, 82 S.Ct. 935 (1962). Windsurfing will discuss each of the cases in turn.

1. *Deering, Milliken v. Temp-Resisto*

Deering, Milliken, 160 F.Supp. 463, was a case in the Second Circuit in which infringement of two patents was alleged. The defendant counterclaimed for unfair competition and contended the plaintiff's system of licensing its patents was illegal. The trial court characterized defendants' contention, and its own view of the contention, as follows (p. 480):

> "The defendants further contend that the system of licensing converters was illegal by reason of the fact that (1) the license of Deering, Milliken gave it the right to terminate the license if the licensee sold any 'metal insulating linings which infringe

> Milliken's patent rights or the trade-mark Milium,' and (2) . . . ."
>
> "Neither of these provisions in the license seems to be illegal."

The facts of the *Deering, Milliken* case are very close to those of the case at bar. There, the patentee licensed its patents and included a clause that gave it the right to terminate the patent license if the licensee infringed its trademark. Here, Respondent licensed its patent and included a clause in which the licensee acknowledged Respondent's marks and agreed not to infringe the trademarks. Both were simply a natural exercise of *trademark* rights.

On appeal (274 F.2d 626, at p. 634), the Second Circuit affirmed the lower court's dismissal of defendants' counterclaims in which the claim of improper licensing was made.

In what appears to be dicta, the Sixth Circuit in *Kolene Corporation v. Motor City Metal Treating, Inc.*, 440 F.2d at 85, supports Respondent's position when it states:

> "The record shows that Kolene is willing to license its process to heat treaters without the allegedly illegal tie-in but only when the licensee refrains from use of Kolene's servicemark. . . . Neither the right to use the mark (citing *Switzer Brothers*) nor the sale of salts (citing case) is tied to the right to practice the invention of the patent. Hence, the patent is not a lever used to extend a legal monopoly."

2. *Switzer Brothers v. Locklin*

In *Switzer Brothers* (297 F.2d 39), a Seventh Circuit case, the facts were the exact opposite of *Deering, Milliken* and of the case at bar. *Switzer Brothers* owned patents on daylight fluorescent devices it marketed under the trademark DAY-GLO. Part of the patent licensing requirement was that licensees under the patent *were required* to use the DAY-GLO trademark. The court found that (p. 44):

> "The patent licenses were conditioned upon the use of the Day-Glo mark."

Citing the Supreme Court "tying" cases, the court held the patent misused and stated (p. 48):

> "In the light of the whole record, it seems apparent that the 'Day-Glo' trademark became, as a result of appellant's unlawful conduct, vested with an artificial value in the fluorescence field over and above the normal incidence of good will."

Switzer Brothers, then, used the patent to coerce for itself, through licensing of its patent, a trademark position in the marketplace *beyond that provided by the trademark law and the natural operation of the marketplace. Deering, Milliken* and Respondent, by contrast, did not use the patent at all to obtain an enlargement of their trademark rights; rather, they simply asserted their right of exclusive use inherent in their marks as provided by the trademark law.

3. *Jack Winter v. Koratron*

In *Koratron* (375 F.Supp. 1), the court in the Northern District of California dealt with a major licensing program of a patent on a method of making permanent press garments. One of the condemned licensing practices was, like in *Switzer Brothers*, a requirement in the patent licenses that the licensees use the KORATRON trademark (p. 63). *Koratron* argued that it did not fall within the rule of the *Switzer Brothers* case because, unlike *Switzer Brothers*, Koratron's licensees were not required to use *only* the KORATRON mark (p. 64). Finding no difference, the court held the practice to constitute patent misuse (p. 72).

C. *Conclusion As To Prior Cases*

Respondent submits that the differences between the *Deering, Milliken* case on the one hand and the *Switzer Brothers* and *Koratron* cases on the other delineate the line between permissible and impermissible licensing, which line Respondent did not cross. In order for a patent to be *mis*used to gain an improper advantage, it must first be shown that the patent was *used* in a *coercive* manner; the mere inclusion in a patent license of a promise not to infringe the licensor's trademark is, of itself, neither a use of the patent nor coercion based on the patent.

CONCLUSION

For the reasons presented, the Writ of Certiorari should be denied.

Respectfully submitted,

Harold E. Wurst
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Of Counsel:
Nilsson, Robbins, Dalgarn,
Berliner, Carson & Wurst

CERTIFICATE OF SERVICE

This BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI has been served upon Petitioners by mailing copies thereof to Thomas F. Reddy, Jr., and Jonathan A. Marshall, Pennie & Edmonds, 1155 Avenue of the Americas, New York, New York 10036, this 30th day of May, 1986.

Harold E. Wurst